

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Bondurant-Farrar Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Mike Adams	President	2007
Allison Bishop	Vice President	2006
Kim Bailey	Board Member	2007
Warren Nielsen	Board Member	2008
Bill Elson	Board Member	2008

Board of Education (After September 2006 Election)		
Bill Elson	President (resigned May, 2007)	2008
Warren Nielsen	Vice President (appointed President)	2008
Mike Adams	Board Member (appointed Vice President)	2007
Kim Bailey	Board Member	2007
Allison Bishop	Board Member	2009

School Officials		
Craig S. Cochran	Superintendent	2007
Gail Helm	District Secretary/ Treasurer	2007
Sue Seitz	Attorney	2007

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Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bondurant-Farrar Community School District, Bondurant, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

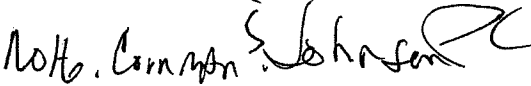
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bondurant-Farrar Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2008, on our consideration of the Bondurant-Farrar Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 36 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bondurant-Farrar Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bondurant-Farrar Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,156,616 in fiscal 2006 to \$8,190,785 in fiscal 2007, while General Fund expenditures also increased from \$7,308,005 in fiscal 2006 to \$8,819,054 in fiscal 2007. This resulted in a decrease in the District's fund balance from a deficit \$186,007 in fiscal 2006 to a deficit \$814,276 in fiscal 2007, which was a 337.77% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax and state sources. The increase in expenditures was due to the increase in negotiated salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bondurant-Farrar Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bondurant-Farrar Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bondurant-Farrar Community School District acts solely as an agent or custodian for the benefit of those outside of the school district.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Bondurant-Farrar Community School District Annual Financial Report

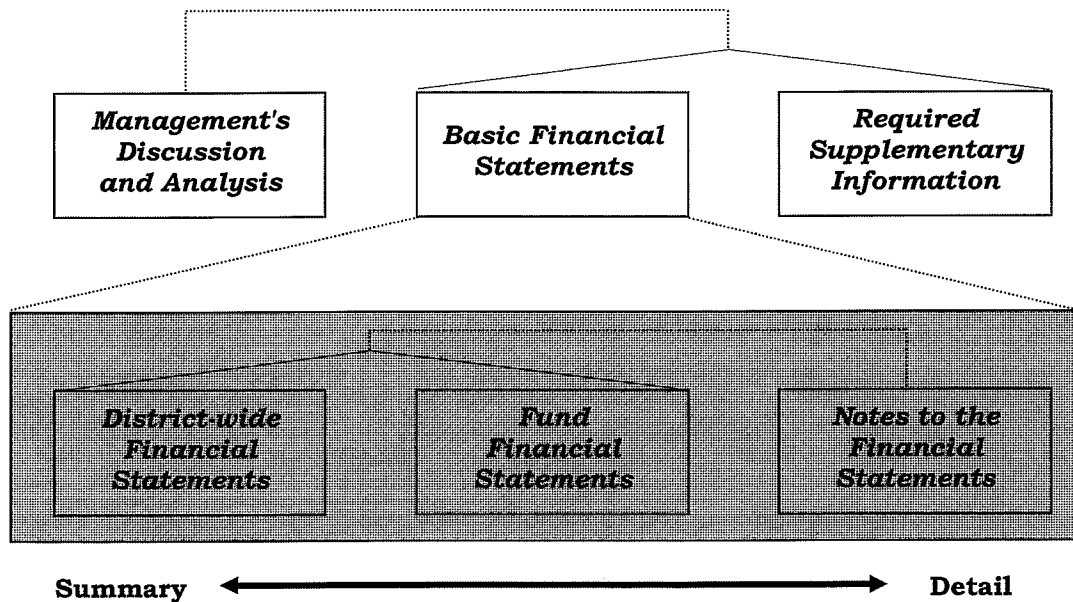


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District established other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

- 2) *Proprietary funds:* Service for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Construction Class Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 7,281,532	6,243,307	85,179	294,798	7,366,711	6,538,105	12.67%
Capital assets	8,838,066	9,055,846	107,053	97,489	8,945,119	9,153,335	-2.27%
Total assets	16,119,598	15,299,153	192,232	392,287	16,311,830	15,691,440	3.95%
Long-term obligations	2,144,533	2,972,840	0	0	2,144,533	2,972,840	-27.86%
Other liabilities	5,997,623	4,936,796	124,953	110,188	6,122,576	5,046,984	21.31%
Total liabilities	8,142,156	7,909,636	124,953	110,188	8,267,109	8,019,824	3.08%
Net assets:							
Invested in capital assets, net of related debt	6,858,066	7,400,701	107,053	97,489	6,965,119	7,498,190	-7.11%
Restricted	2,239,623	469,632	0	0	2,239,623	469,632	376.89%
Unrestricted	(1,120,247)	(480,816)	(39,774)	184,610	(1,160,021)	(296,206)	-291.63%
Total net assets	\$ 7,977,442	7,389,517	67,279	282,099	8,044,721	7,671,616	4.86%

The District's combined net assets increased by 4.86%, or \$373,105, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,769,991, or 376.89% over the prior year. The increase was primarily due to a reclassification of the Capital Projects and Debt Service Funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$863,815, or 291.63%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 917,403	843,520	271,814	220,551	1,189,217	1,064,071	11.76%
Operating grants and contributions and restricted interest	880,789	731,096	143,618	133,772	1,024,407	864,868	18.45%
General revenues:							
Property tax	2,916,671	2,599,513	0	0	2,916,671	2,599,513	12.20%
Local option sales and service tax	1,076,770	927,796	0	0	1,076,770	927,796	16.06%
Unrestricted state grants	4,325,257	3,772,440	0	0	4,325,257	3,772,440	14.65%
Unrestricted investment earnings	79,381	90,053	5,781	1,696	85,162	91,749	-7.18%
Other	99,641	35,868	6,763	126,402	106,404	162,270	-34.43%
Total revenues	10,295,912	9,000,286	427,976	482,421	10,723,888	9,482,707	13.09%
Program expenses:							
Governmental activities:							
Instructional	5,957,019	4,854,014	196,343	163,153	6,153,362	5,017,167	22.65%
Support services	2,965,307	2,533,792	0	22,039	2,965,307	2,555,831	16.02%
Non-instructional programs	4,743	17,788	446,453	367,761	451,196	385,549	17.03%
Other expenses	780,918	831,398	0	0	780,918	831,398	-6.07%
Total expenses	9,707,987	8,236,992	642,796	552,953	10,350,783	8,789,945	17.76%
Change in net assets before capital contributions	587,925	763,294	(214,820)	(70,532)	373,105	692,762	-46.14%
Capital contributions	0	0	0	2,114	0	2,114	100.00%
Change in net assets	587,925	763,294	(214,820)	(68,418)	373,105	694,876	-46.31%
Beginning net assets	7,389,517	6,626,223	282,099	350,517	7,671,616	6,976,740	9.96%
Ending net assets	\$ 7,977,442	7,389,517	67,279	282,099	8,044,721	7,671,616	4.86%

Property tax, local option sales and services tax and unrestricted state grants account for 78% of the District's total revenues. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

Changes in revenues will be as a result of changes in student participation, whether in the regular, special or extracurricular programs. The most significant change in revenues were in unrestricted state grants, Property Tax and Local Option Sales and Services Tax monies, and increased interest rates resulted in additional unrestricted investment earnings. The construction house sold for more than the previous year recorded as "Other" under General Revenues, less the cost of the land purchased for construction. Fluctuations in basic enrollment will significantly impact the state revenues, as well as property tax revenues, keeping in mind that neither source of funding will be ever fully realized with current law and funding structure as set by the legislature.

The most significant fluctuation in expenditure levels was caused by increased salary and benefit obligations, in large part resulting from collective bargaining agreements.

Governmental Activities

Total revenues for all of the Districts' governmental activities were \$10,295,912 and expenses were \$9,707,987.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$ 5,957,019	4,854,014	18.52%	4,491,777	3,562,161	20.70%
Support services	2,965,307	2,533,792	14.55%	2,962,467	2,532,182	14.52%
Non-instructional programs	4,743	17,788	-275.04%	4,743	17,788	-275.04%
Other expenses	780,918	831,398	-6.46%	450,808	550,245	-22.06%
Totals	<u>\$ 9,707,987</u>	<u>8,236,992</u>	<u>15.15%</u>	<u>7,909,795</u>	<u>6,662,376</u>	<u>15.77%</u>

- The cost financed by users of the District's programs was \$917,263.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$880,789.
- The net cost of governmental activities was financed with \$2,916,671 in property tax, \$1,076,770 in local option sales and services tax, \$4,325,257 in unrestricted state grants, \$79,381 in interest income and \$99,641 in miscellaneous sources.

Business-Type Activities

Revenues for business type activities were \$427,976 and expenses were \$642,796. The District's business type activities include the School Nutrition Fund and the Construction Class Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Bondurant-Farrar Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$1,177,757, a decrease of 3.97% compared to last years ending fund balances of \$1,226,399.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. An increase in revenues was more than offset by an increase in expenditures, resulting in the General Fund balance to decrease.
- The General Fund balance decreased from a deficit \$186,007 to a deficit \$814,276, due in part to the increase in expenditures.

-
- The Capital Projects Fund balance increased from \$494,519 at June 30, 2006 to \$854,669 at June 30, 2007, representing an increase of 72.8% due to an increase Local Option Sales and Service Tax revenues.
 - The Debt Service Fund balance increased from \$636,823 at June 30, 2006 to \$688,448 at June 30, 2007, representing an increase of 8.1%.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$179,379 at June 30, 2006 to \$154,139 at June 30, 2007, representing a decrease of 14.1%.

The Construction Class Fund net assets decreased from \$102,720 at June 30, 2006 to a deficit \$86,860 at June 30, 2007, representing a decrease of 184.6%. The 2006-2007 house has not yet been sold, therefore there was no revenues to match the expenses in this fiscal year.

BUDGETARY HIGHLIGHTS

The District's receipts were \$429,888 more than budgeted receipts, a variance of 4.2%. The most significant variance resulted from the District receiving more in local and federal sources than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in all functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$8,945,119, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for year was \$368,944.

The original cost of the District's capital assets was \$15,314,563. Governmental funds account for \$15,032,986, with the remainder of \$281,577 accounted for in the Proprietary, School Nutrition Fund.

The largest category change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$504,648 at June 30, 2007 compared to \$481,125 reported at June 30, 2006. This increase resulted from purchases made during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 507,375	507,375	0	0	507,375	507,375	0.00%
Buildings	7,745,176	7,979,758	0	0	7,745,176	7,979,758	-3.03%
Land improvements	187,920	185,077	0	0	187,920	185,077	1.51%
Machinery and equipment	397,595	383,636	107,053	97,489	504,648	481,125	4.66%
Total	<u>\$ 8,838,066</u>	<u>9,055,846</u>	<u>107,053</u>	<u>97,489</u>	<u>8,945,119</u>	<u>9,153,335</u>	<u>-2.33%</u>

Long-Term Debt

At June 30, 2007, the District had \$2,144,533 in general obligation and other long-term debt outstanding. This represents a decrease of 27.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$205,000 at June 30, 2007.

The District had total outstanding Revenue Bonds payable of \$1,775,000 at June 30, 2007.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Fund of \$135,338 at June 30, 2007.

The District had total outstanding Compensated Absences payable from the General Fund of \$41,961 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General obligation bonds	\$ 205,000	465,000	-55.9%
Revenue Bonds	1,775,000	2,310,000	-23.2%
Early Retirement	135,338	141,674	-4.5%
Compensated Absences	29,195	56,166	-48.0%
Totals	<u>\$ 2,144,533</u>	<u>2,972,840</u>	<u>-27.9%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The rising cost of gas, diesel, and natural gas continue to be a concern for the District.
- The District has revised the 2007-2008 line item budget to improve solvency.

-
- The increase in the cost of salaries, benefits, health costs, and IPERS continue to be a concern for the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gail Helm, Business Manager, Bondurant-Farrar Community School District, 300 Garfield St. S. W., Bondurant, Iowa, 50035.

BASIC FINANCIAL STATEMENTS

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP(Note 5)	\$ 1,352,859	0	1,352,859
U.S. Treasury Securities on deposit with escrow agent	513,891	0	513,891
Other	1,207,676	74,011	1,281,687
Receivables			
Property tax:			
Delinquent	38,221	0	38,221
Succeeding year	2,994,355	0	2,994,355
Income surtax	113,881	0	113,881
Interfund	661,592	0	661,592
Accounts	16,465	0	16,465
Accrued ISCAP interest (Note 5)	31,573	0	31,573
Due from other governments	351,019	0	351,019
Inventories	0	11,168	11,168
Capital assets, net of accumulated depreciation (Note 6)	8,838,066	107,053	8,945,119
Total Assets	16,119,598	192,232	16,311,830
Liabilities			
Excess of warrants issued over bank balance	0	78,465	78,465
Interfund payable	639,246	22,346	661,592
Accounts payable	164,253	8,395	172,648
Salaries and benefits payable	795,715	9,119	804,834
ISCAP warrants payable (Note 5)	1,355,000	0	1,355,000
ISCAP accrued interest payable (Note 5)	31,271	0	31,271
ISCAP unamortized premium	10,054	0	10,054
Accrued interest payable	7,729	0	7,729
Deferred revenue:			
Succeeding year property tax	2,994,355	0	2,994,355
Unearned revenue	0	6,628	6,628
Long-term liabilities (Note 7):			
Portion due within one year:			
General obligation bonds payable	205,000	0	205,000
Revenue bonds payable	565,000	0	565,000
Early retirement	29,020	0	29,020
Compensated absences	29,195	0	29,195
Portion due after one year:			
Revenue bonds payable	1,210,000	0	1,210,000
Early retirement	106,318	0	106,318
Total Liabilities	8,142,156	124,953	8,267,109
Net Assets			
Invested in capital assets, net of related debt	6,858,066	107,053	6,965,119
Restricted for:			
Beginning teacher mentoring	1,136	0	1,136
Salary improvement program	5,235	0	5,235
Additional teacher contract day	400	0	400
Professional development	486	0	486
Market factor	138	0	138
Talented and gifted	70,907	0	70,907
Early intervention	178,449	0	178,449
Capital projects	854,669	0	854,669
Debt service	688,448	0	688,448
Physical plant and equipment levy	288,514	0	288,514
Other special revenue purposes	151,241	0	151,241
Unrestricted	(1,120,247)	(39,774)	(1,160,021)
Total Net Assets	\$ 7,977,442	67,279	8,044,721

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 4,148,135	546,397	496,230	(3,105,508)	0	(3,105,508)
Special instruction	988,224	0	51,749	(936,475)	0	(936,475)
Other instruction	820,660	370,866	0	(449,794)	0	(449,794)
	<u>5,957,019</u>	<u>917,263</u>	<u>547,979</u>	<u>(4,491,777)</u>	<u>0</u>	<u>(4,491,777)</u>
Support services:						
Student services	438,911	0	0	(438,911)	0	(438,911)
Instructional staff services	271,626	0	0	(271,626)	0	(271,626)
Administration services	966,786	0	0	(966,786)	0	(966,786)
Operation and maintenance of plant services	955,719	0	0	(955,719)	0	(955,719)
Transportation services	332,265	140	2,700	(329,425)	0	(329,425)
	<u>2,965,307</u>	<u>140</u>	<u>2,700</u>	<u>(2,962,467)</u>	<u>0</u>	<u>(2,962,467)</u>
Non-instructional programs:						
Other enterprise services	4,743	0	0	(4,743)		(4,743)
Other expenditures:						
Facilities acquisitions	68,815	0	0	(68,815)	0	(68,815)
Long-term debt interest	125,254	0	0	(125,254)	0	(125,254)
AEA flowthrough	330,110	0	330,110	0	0	0
Depreciation(unallocated)*	256,739	0	0	(256,739)	0	(256,739)
	<u>780,918</u>	<u>0</u>	<u>330,110</u>	<u>(450,808)</u>	<u>0</u>	<u>(450,808)</u>
Total governmental activities	9,707,987	917,403	880,789	(7,909,795)	0	(7,909,795)
Business-Type activities:						
Instruction:						
Construction class	196,343	0	0	0	(196,343)	(196,343)
Non-instructional programs:						
Nutrition services	446,453	271,814	143,618	0	(31,021)	(31,021)
Total business-type activities	<u>642,796</u>	<u>271,814</u>	<u>143,618</u>	<u>0</u>	<u>(227,364)</u>	<u>(227,364)</u>
Total	<u>\$ 10,350,783</u>	<u>1,189,217</u>	<u>1,024,407</u>	<u>(7,909,795)</u>	<u>(227,364)</u>	<u>(8,137,159)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,467,303	0	2,467,303
Debt service				275,643	0	275,643
Capital outlay				173,725	0	173,725
Local option sales and services				1,076,770	0	1,076,770
Unrestricted state grants				4,325,257	0	4,325,257
Unrestricted investment earnings				79,381	5,781	85,162
Gain on sale of property				0	6,763	6,763
Miscellaneous				99,641	0	99,641
Total general revenues				<u>8,497,720</u>	<u>12,544</u>	<u>8,510,264</u>
Changes in net assets				587,925	(214,820)	373,105
Net assets beginning of year				<u>7,389,517</u>	<u>282,099</u>	<u>7,671,616</u>
Net assets end of year				<u>\$ 7,977,442</u>	<u>67,279</u>	<u>8,044,721</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets					
Cash and pooled investments:					
ISCAP(Note 5)	\$ 1,352,859	0	0	0	1,352,859
U.S. Treasury Securities on deposit with escrow agent	0	0	513,891	0	513,891
Other	421,410	331,662	170,839	283,765	1,207,676
Receivables:					
Property tax:					
Delinquent	29,948	0	3,718	4,555	38,221
Succeeding year	2,484,738	0	279,576	230,041	2,994,355
Income surtax	113,881	0	0	0	113,881
Interfund	22,346	383,068	0	256,178	661,592
Accounts	16,465	0	0	0	16,465
Accrued ISCAP interest (Note 5)	31,573	0	0	0	31,573
Due from other governments	211,080	139,939	0	0	351,019
Total Assets	\$ 4,684,300	854,669	968,024	774,539	7,281,532
Liabilities and Fund Balances					
Liabilities:					
Interfund payable	\$ 639,246	0	0	0	639,246
Accounts payable	68,671	0	0	95,582	164,253
Salaries and benefits payable	795,715	0	0	0	795,715
ISCAP warrants payable (Note 5)	1,355,000	0	0	0	1,355,000
ISCAP accrued interest payable (Note 5)	31,271	0	0	0	31,271
ISCAP unamortized premium	10,054	0	0	0	10,054
Deferred revenue:					
Succeeding year property tax	2,484,738	0	279,576	230,041	2,994,355
Income surtax	113,881	0	0	0	113,881
Total liabilities	5,498,576	0	279,576	325,623	6,103,775
Fund balances:					
Reserved for:					
Debt service	0	0	688,448	0	688,448
Beginning teacher mentoring	1,136	0	0	0	1,136
Salary improvement program	5,235	0	0	0	5,235
Additional teacher contract day	400	0	0	0	400
Professional development	486	0	0	0	486
Market factor	138	0	0	0	138
Talented and gifted	70,907	0	0	0	70,907
Early intervention	178,449	0	0	0	178,449
Unreserved:					
Undesignated	(1,071,027)	854,669	0	448,916	232,558
Total fund balances	(814,276)	854,669	688,448	448,916	1,177,757
Total Liabilities and Fund Balances	\$ 4,684,300	854,669	968,024	774,539	7,281,532

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 16)	\$ 1,177,757
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,838,066
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,729)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	113,881
Long-term liabilities, including bonds payable, early retirement and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,144,533)</u>
Net assets of governmental activites (page 14)	<u><u>\$ 7,977,442</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,286,263	1,076,770	275,643	332,483	3,971,159
Tuition	546,397	0	0	0	546,397
Other	152,360	1,966	35,703	359,999	550,028
State sources	5,065,174	0	126	155	5,065,455
Federal sources	140,591	0	0	0	140,591
Total revenues	8,190,785	1,078,736	311,472	692,637	10,273,630
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,148,023	0	0	0	4,148,023
Special instruction	988,224	0	0	0	988,224
Other instruction	522,239	0	0	298,421	820,660
	5,658,486	0	0	298,421	5,956,907
Support services:					
Student services	377,510	0	0	61,401	438,911
Instructional staff services	271,626	0	0	0	271,626
Administration services	986,305	0	0	0	986,305
Operation and maintenance of plant services	828,640	0	0	123,657	952,297
Transportation services	361,634	0	0	1,912	363,546
	2,825,715	0	0	186,970	3,012,685
Non-instructional programs:					
Other enterprise operations	4,743	0	0	0	4,743
Other expenditures:					
Facilities acquisitions	0	54,421	0	39,394	93,815
Long-term debt:					
Principal	0	0	795,000	0	795,000
Interest and fiscal charges	0	0	129,012	0	129,012
AEA flowthrough	330,110	0	0	0	330,110
	330,110	54,421	924,012	39,394	1,347,937
Total expenditures	8,819,054	54,421	924,012	524,785	10,322,272
Excess(deficiency) of revenues over(under) expenditures	(628,269)	1,024,315	(612,540)	167,852	(48,642)
Other financing sources(uses):					
Transfers in	0	0	664,165	0	664,165
Transfers out	0	(664,165)	0	0	(664,165)
Total other financing sources(uses)	0	(664,165)	664,165	0	0
Net change in fund balances	(628,269)	360,150	51,625	167,852	(48,642)
Fund balance beginning of year	(186,007)	494,519	636,823	281,064	1,226,399
Fund balance end of year	\$ (814,276)	854,669	688,448	448,916	1,177,757

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 18) \$ (48,642)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 134,560	
Depreciation expense	<u>(352,340)</u>	(217,780)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments were as follows:

Repaid	795,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

3,758

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

22,282

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 6,336	
Compensated absences	<u>26,971</u>	<u>33,307</u>

Changes in net assets of governmental activities (page 15)

\$ 587,925

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007

	School Nutrition	Construction Class	Total
Assets			
Cash and pooled investments	\$ 74,011	0	74,011
Inventories	11,168	0	11,168
Capital assets, net of accumulated depreciation (Note 6)	107,053	0	107,053
Total Assets	192,232	0	192,232
Liabilities			
Excess of warrants issued over bank balance	0	78,465	78,465
Interfund payable	22,346	0	22,346
Accounts payable	0	8,395	8,395
Salaries and benefits payable	9,119	0	9,119
Unearned revenue	6,628	0	6,628
Total Liabilities	38,093	86,860	124,953
Net Assets			
Invested in capital assets	107,053	0	107,053
Unrestricted	47,086	(86,860)	(39,774)
Total Net Assets	\$ 154,139	(86,860)	67,279

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	School Nutrition	Construction Class	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 271,814	0	271,814
TOTAL OPERATING REVENUES	271,814	0	271,814
OPERATING EXPENSES:			
Instruction:			
Other instruction:			
Services	0	89,666	89,666
Supplies	0	106,677	106,677
	0	196,343	196,343
Non-instructional programs:			
Food service operations:			
Salaries	158,692	0	158,692
Benefits	40,621	0	40,621
Services	16,112	0	16,112
Supplies	214,424	0	214,424
Depreciation	16,604	0	16,604
	446,453	0	446,453
TOTAL OPERATING EXPENSES	446,453	196,343	642,796
OPERATING LOSS	(174,639)	(196,343)	(370,982)
NON-OPERATING REVENUES:			
State sources	5,722	0	5,722
Federal sources	137,896	0	137,896
Interest on investments	5,781	0	5,781
Gain on sale of property	0	6,763	6,763
TOTAL NON-OPERATING REVENUES	149,399	6,763	156,162
Changes in net assets	(25,240)	(189,580)	(214,820)
Net assets beginning of year	179,379	102,720	282,099
Net assets end of year	\$ 154,139	(86,860)	67,279

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	School Nutrition	Construction Class	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 275,884	0	275,884
Cash received from miscellaneous operating activities	382	200,000	200,382
Cash payments to employees for services	(198,475)	0	(198,475)
Cash payments to suppliers for goods or services	(207,537)	(187,948)	(395,485)
Net cash provided by(used in) operating activities	(129,746)	12,052	(117,694)
Cash flows from non-capital financing activities:			
Loan from General Fund	19,895	0	19,895
State grants received	5,722	0	5,722
Federal grants received	110,861	0	110,861
Net cash provided by non-capital financing activities	136,478	0	136,478
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(26,168)	0	(26,168)
Gain on sale of property	0	6,763	6,763
Net cash provided by(used in) capital and related financing activities	(26,168)	6,763	(19,405)
Cash flows from investing activities:			
Interest on investments	5,781	0	5,781
Net increase(decrease) in cash and cash equivalents	(13,655)	18,815	5,160
Cash and cash equivalents at beginning of year	87,666	(97,280)	(9,614)
Cash and cash equivalents at end of year	\$ 74,011	(78,465)	(4,454)
Reconciliation of operating loss to net cash provided by(used in) operating activities:			
Operating loss	\$ (174,639)	(196,343)	(370,982)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Commodities consumed	27,035	0	27,035
Depreciation	16,604	0	16,604
Increase in inventories	(4,036)	0	(4,036)
Decrease in accounts receivable	0	200,000	200,000
Increase in accounts payable	0	8,395	8,395
Increase in salaries and benefits payable	838	0	838
Increase in unearned revenue	4,452	0	4,452
Net cash provided by(used in) operating activities	\$ (129,746)	12,052	(117,694)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 74,011	(78,465)	(4,454)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$27,035.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Bondurant-Farrar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Bondurant and Farrar, Iowa, and the predominate agricultural territory in Polk and Jasper Counties. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bondurant-Farrar Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bondurant-Farrar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk and Jasper Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Construction Class Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Construction Class Fund is used to account for the construction of houses within the District as part of a class.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise funds is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instructional, support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance, collateralized with securities or letters of credit held by the District or the District's agent in

the District's name, or by multiple financial institution collateral pool in accordance with Chapter 12C of the Code of

Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 12,707</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The U.S. Treasury Securities are classified as Category 1, which means the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Securities and certificates are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2007, the District had investments in U.S. Treasury Securities as follows:

Type	Fair Value
U.S. Treasury Securities	<u>\$ 513,891</u>

(3) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects	General	\$ 383,068
Management Levy	General	11,061
Physical Plant and Equipment Levy	General	245,117
General	Enterprise, School Nutrition	<u>22,346</u>
Total		<u>\$ 661,592</u>

The General Fund is repaying the Capital Projects Fund for funds that were borrowed during the year. The General Fund is repaying the Management Fund for early retirement benefits that were paid from Management Fund that should have been paid from the General Fund. The General Fund is repaying the Physical Plant and Equipment Levy for funds borrowed during the year and for the sale of a building that was deposited into the General Fund. The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefit expenses that were not transferred before June 30, 2007. These balances will be transferred by June 30, 2008.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 664,165</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. This transfer is to move funds from the Capital Projects to the Debt Service to cover the revenue bond payments.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. is the trustee for the program. A summary of

the District's participation in ISCAP at June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ 0	31,168	0	30,926
2007-08A	6/28/07	6/27/08	1,352,859	405	1,355,000	345
Total			<u>\$ 1,352,859</u>	<u>31,573</u>	<u>1,355,000</u>	<u>31,271</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments of the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007.

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ 0	300,000	300,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets being depreciated:				
Machinery and equipment	\$ 255,409	26,168	0	281,577
Less accumulated depreciation	157,920	16,604	0	174,524
Business-type activities capital assets, net	<u>\$ 97,489</u>	<u>9,564</u>	<u>0</u>	<u>107,053</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 507,375	0	0	507,375
Total capital assets not being depreciated	507,375	0	0	507,375
Capital assets being depreciated:				
Buildings	11,395,998	0	0	11,395,998
Land improvements	634,717	25,000	0	659,717
Machinery and equipment	2,360,336	109,560	0	2,469,896
Total capital assets being depreciated	14,391,051	134,560	0	14,525,611
Less accumulated depreciation for:				
Buildings	3,416,240	234,582	0	3,650,822
Land improvements	449,640	22,157	0	471,797
Machinery and equipment	1,976,700	95,601	0	2,072,301
Total accumulated depreciation	5,842,580	352,340	0	6,194,920
Total capital assets being depreciated, net	8,548,471	(217,780)	0	8,330,691
Governmental activities capital assets, net	\$ 9,055,846	(217,780)	0	8,838,066

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 32,439
Support services:	
Operation and maintenance of plant	13,806
Transportation	49,356
	95,601
Unallocated depreciation	256,739
Total governmental activities depreciation expense	\$ 352,340
Business-type activities:	
Food services	\$ 16,604
Total business-type activities depreciation expense	\$ 16,604

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 465,000	0	260,000	205,000	205,000
Revenue Bonds	2,310,000	0	535,000	1,775,000	565,000
Early Retirement	141,674	23,056	29,392	135,338	29,020
Compensated absences	56,166	29,195	56,166	29,195	29,195
Total	\$ 2,972,840	52,251	880,558	2,144,533	828,215

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated February 1, 2003		
		Principal	Interest	Total
2008	2.70	% \$ 205,000	5,535	210,535

Revenue Bonds

Details of the District's June 30, 2007 revenue bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Issue dated June 1, 2001		
		Principal	Interest	Total
2008	4.55	% \$ 565,000	81,678	646,678
2009	4.60	590,000	55,970	645,970
2010	4.65	620,000	28,830	648,830
Total		\$ 1,775,000	166,478	1,941,478

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$460,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the

bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.

- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to all employees between the ages of 59 and 65 or employees who qualify for IPERS and are at least 55 years of age. Employees must complete an application which is required to be approved by the Board of Education. Administrators must have completed twenty years of continuous service to the District and must also be under current contract to the District. The early retirement incentive for administrators is the employee's per diem rate multiplied by the number of years employed beyond the twelfth year, to a maximum of eighteen, plus an additional amount based on the administrator's position at time of retirement. Administrators are also eligible to continue participation in the District's health care plan at the District's expense until age 65, with benefits transferring at death to the spouse until the spouse reaches age 65. Classified employees must have completed twelve years of continuous service to the District. Early retirement incentives are cash payments based on rate of pay in effect at retirement multiplied by a specific percentage based on age plus participation in the District's health insurance plan at the employee's own expense plus a cash benefit based on the employee's remaining sick leave days multiplied by a given percentage, or an alternate early retirement incentive of participation in the District's health insurance plan until age 65 at the District's expense at the level of the cost during the retirement year. Licensed employees must have completed 25 years of service to the District, with a minimum of twenty years consecutive service and must also be eligible for full IPERS benefits under the rule of 88. Licensed employees early retirement incentives will be a cash payment based on the employee's position in the salary schedule, to a maximum of \$8,000 plus \$100 per year for each consecutive year worked past 15 to a maximum of 25, or the incentive will be continued participation in the District's health insurance plan at District expense at the level of cost in effect at the time of retirement plus the same \$100 per year as noted above. Early retirement benefits paid during the year ended June 30, 2007, totaled \$29,392.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a

publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$311,512, \$267,669 and \$248,808, respectively, equal to the required contributions for each year.

(9) Risk Management

Bondurant-Farrar Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$330,110 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The General Fund had a deficit undesignated fund balance of \$1,071,027 at June 30, 2007. The Construction Class Fund also had a deficit undesignated fund balance of \$86,860.

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2007, expenditures in all of the functional areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2007

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,067,584	284,358	5,351,942	4,993,078	4,993,078	358,864
Intermediate sources	0	0	0	1,500	1,500	(1,500)
State sources	5,065,455	5,722	5,071,177	5,129,140	5,129,140	(57,963)
Federal sources	140,591	137,896	278,487	148,000	148,000	130,487
Total revenues	10,273,630	427,976	10,701,606	10,271,718	10,271,718	429,888
Expenditures:						
Instruction	5,956,907	196,343	6,153,250	5,661,490	5,661,490	(491,760)
Support services	3,012,685	0	3,012,685	2,888,620	2,888,620	(124,065)
Non-instructional programs	4,743	446,453	451,196	432,025	432,025	(19,171)
Other expenditures	1,347,937	0	1,347,937	1,154,397	1,154,397	(193,540)
Total expenditures	10,322,272	642,796	10,965,068	10,136,532	10,136,532	(828,536)
Excess(deficiency) of revenues over(under) expenditures	(48,642)	(214,820)	(263,462)	135,186	135,186	(398,648)
Balance beginning of year	1,226,399	282,099	1,508,498	1,214,168	1,214,168	294,330
Balance end of year	\$ 1,177,757	67,279	1,245,036	1,349,354	1,349,354	(104,318)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in all functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2007

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 5,404	151,998	126,363	283,765
Receivables:				
Property tax:				
Current year delinquent	2,212	0	2,343	4,555
Succeeding year	170,000	0	60,041	230,041
Interfund	11,061	0	245,117	256,178
Total Assets	\$ 188,677	151,998	433,864	774,539
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 9,516	757	85,309	95,582
Deferred revenue:				
Succeeding year property tax	170,000	0	60,041	230,041
Total liabilities	179,516	757	145,350	325,623
Fund balances:				
Unreserved:				
Undesignated	9,161	151,241	288,514	448,916
Total fund balances	9,161	151,241	288,514	448,916
Total Liabilities and Fund Balances	\$ 188,677	151,998	433,864	774,539

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 158,758	0	173,725	332,483
Other	32,277	303,190	24,532	359,999
State sources	76	0	79	155
Total revenues	191,111	303,190	198,336	692,637
Expenditures:				
Current:				
Instruction:				
Other instruction	0	298,421	0	298,421
Support services:				
Student support services	61,401	0	0	61,401
Operation and maintenance of plant services	123,657	0	0	123,657
Student transportation	1,912	0	0	1,912
Other expenditures:				
Facilities acquisitions	0	0	39,394	39,394
Total expenditures	186,970	298,421	39,394	524,785
Excess of revenues over expenditures	4,141	4,769	158,942	167,852
Fund balances beginning of year	5,020	146,472	129,572	281,064
Fund balances end of year	\$ 9,161	151,241	288,514	448,916

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest Earned On Checking	\$ 938	325	0	1,263
Elementary Resale	852	6,984	6,747	1,089
Elementary Pop Fund	172	446	259	359
Farrar Carnival	2,551	915	1,347	2,119
RIF Program	1,811	800	729	1,882
Jump Rope For Heart	1,900	1,026	1,026	1,900
3rd Grade Bubble Account	123	417	108	432
HS Pop Fund	2,155	670	307	2,518
Industrial Tech-Donations	806	495	254	1,047
Adult Education	1,112	0	0	1,112
General Activities	2,559	1,162	1,164	2,557
Interest Earned On Savings	1,662	550	1,000	1,212
Art Fund	3,554	325	0	3,879
HS Play and Musical	2,909	2,325	1,724	3,510
Vocal Resale	14	2,009	2,023	0
Box Tops For Education	753	1,640	0	2,393
Band Resale	2,223	6,291	4,441	4,073
Vocal Music Fund	180	637	163	654
Swing Choir Fund	747	0	0	747
Band Fund	(23)	2,095	2,072	0
Speech Fund	1,593	1,310	1,355	1,548
Weight Room	223	448	0	671
Activity Passes	1,193	15,900	10,278	6,815
Cheerleaders	5,598	18,826	22,453	1,971
Jayz Danz	1,713	4,392	6,105	0
Basketball	15,489	11,203	19,529	7,163
Volleyball	4,337	7,923	9,248	3,012
Football	9,187	19,364	22,596	5,955
Soccer	2,850	9,521	6,910	5,461
Baseball	554	5,130	4,283	1,401
Softball	(88)	5,127	2,895	2,144
Track	3,570	11,650	7,619	7,601
Golf	1,314	2,353	2,626	1,041
Wrestling	3,161	22,556	18,289	7,428
Athletic Director	6,964	12,400	15,586	3,778
Scoreboard Advertising	462	500	0	962
Class of 2005	2,136	0	2,136	0
Class of 2006	1,695	0	0	1,695
Class of 2007	1,291	0	0	1,291
Class of 2008	607	1,005	967	645
Class of 2009	843	0	100	743

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Springbrook	6,319	10,754	8,613	8,460
Student Council	878	7,193	6,531	1,540
SADD	0	6	0	6
TLC	250	0	0	250
Honor Society	0	469	451	18
Club Hola	7,087	44,381	48,768	2,700
Health Fund	91	0	0	91
FCCLA	39	1,410	986	463
Jerrica Memorial Library	33	0	0	33
Boys Basketball Camp	1,932	10,779	10,072	2,639
Girls Basketball Camp	842	385	480	747
Football Varsity Clinic/Camp	1,172	15,880	13,223	3,829
Baseball Camp	798	6,081	5,131	1,748
Softball Camp	4,453	5,285	2,214	7,524
Elementary Students in Need	1,837	1,265	908	2,194
Elementary Yearbook	858	3,181	3,101	938
Elementary Pictures	2,465	881	518	2,828
High School Students in Need	1,140	150	0	1,290
High School Yearbook	19,760	6,312	10,333	15,739
HS Pictures	3,132	2,158	2,159	3,131
Football Flag	675	6,730	7,029	376
JH Football Camp	1,021	1,170	1,565	626
Total	\$ 146,472	303,190	298,421	151,241

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 3,971,159	3,527,309	3,306,713	3,161,114
Tuition	546,397	469,489	464,409	536,214
Other	550,028	503,821	497,776	341,675
State sources	5,065,455	4,367,508	3,974,938	3,808,308
Federal sources	140,591	132,059	123,261	72,498
Total	<u>\$ 10,273,630</u>	<u>9,000,186</u>	<u>8,367,097</u>	<u>7,919,809</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 4,148,023	3,224,214	3,119,356	3,026,436
Special instruction	988,224	791,890	643,686	777,373
Other instruction	820,660	796,094	890,544	644,877
Support services:				
Student services	438,911	311,523	286,397	247,041
Instructional staff services	271,626	270,701	193,651	175,735
Administration services	986,305	874,871	778,394	736,568
Operation and maintenance of plant services	952,297	853,039	716,959	854,074
Transportation services	363,546	329,050	204,073	218,472
Other services	0	0	111,739	141,415
Non-instructional programs:				
Other enterprise operations	4,743	17,788	0	0
Other expenditures:				
Facilities acquisitions	93,815	137,668	542,150	3,090
Long-term debt:				
Principal	795,000	760,000	800,000	755,000
Interest and other charges	129,012	157,668	188,749	221,321
AEA flow-through	330,110	281,153	262,502	256,835
Total	<u>\$ 10,322,272</u>	<u>8,805,659</u>	<u>8,738,200</u>	<u>8,058,237</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bondurant-Farrar Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 21, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bondurant-Farrar Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bondurant-Farrar Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Bondurant-Farrar Community School District's financial statements that is more than inconsequential will not be prevented or detected by Bondurant-Farrar Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Bondurant-Farrar Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bondurant-Farrar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bondurant-Farrar Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Bondurant-Farrar Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bondurant-Farrar Community School District and other parties to whom Bondurant-Farrar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bondurant-Farrar Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2008

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

- I-B-07 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis. Numerous receipts that were deposited into the bank were not recorded onto the software system until year-end.

Recommendation - The District should reconcile bank statement balances to financial statement balances on a monthly basis. All receipts should be posted to the accounting system in the same month that they are received. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position. This would allow the user of the monthly financial statements a higher confidence in the amount of cash reflected on the balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- I-C-07 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- I-D-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Donations from Box Tops for Education were recorded in the Box Top account in the Student Activity Fund. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for use in all instructional supplies/services.

There are high school pop and elementary pop accounts. These accounts are not student run organizations and do not appear to be cocurricular in nature and should therefore, be run through the General Fund.

There are high school picture and elementary picture accounts. These funds are received as a result of commissions on pictures. Commissions should be recorded in the General Fund.

We noted that there were Target donations receipted into the elementary resale account. These donations do not specify the purpose, other than instructional supplies; therefore, they should be receipted into the General fund for purchase of supplies/services.

There is an Adult Education account. This account is not a student run organization and should therefore, be run through the General Fund.

There are Interest accounts. These accounts should be allocated among the Student Activity Funds that earned the interest. This allocation should be done at least annually. Interest earned should be distributed to individual accounts within the Student Activity Fund.

There were purchases of ink cartridges from the Athletic Director account. These expenses would appear to be General Fund type expenditures. This account is not cocurricular in nature but would appear to be more administrative and therefore should be run through the General Fund. The District should transfer the fund to the general fund.

There are several accounts without activity during the year. These accounts include: Junior High Football Camp, Jerrica Memorial Library, Swing Choir, TLC and Health Fund. These accounts should be reviewed and determined if needed to be closed to other accounts or transferred out of the Student Activity Fund.

There was a 2006 class account with an account balance. This account should be closed and allocated to other accounts in the Student Activity Fund.

There was an irrigation system purchased that would be more appropriately handled through the Physical Plant and Equipment Levy Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- I-E-07 Board Reports - The District does not appear to be providing financial statements to the board on a monthly basis.

Recommendation - Chapter 291.7 of the Code of Iowa indicates that the board secretary will provide the board of directors a complete statement of all receipts and disbursements from the various funds during the preceding month, and also the balance remaining on hand in the various funds at the close of the period covered by the statement.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- I-F-07 Authorized Check Signatures - We noted during our audit that several checks only had one signature on the check.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District in compliance with Chapter 291.1 of the Code of Iowa. The Board President may designate an individual other than himself, however the Board Secretary must sign all checks. The District should review their procedures and make necessary changes to ensure all checks are signed by two authorized individuals.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- I-G-07 Accounts Payable Procedures - We noted a reimbursement to a staff member for supplies; however there were no receipts attached for supporting documentation. We also noted checks written to cash.

Recommendation - The District should review its procedures for reimbursing expenses to ensure that detailed receipts are turned in for supporting documentation.

The District should refrain from writing checks to cash; instead write them to the person who is going to cash the check.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- I-H-07 Vacation pay-outs - The District paid out unused vacation during the year in the amount of \$46,637.37. The District correctly paid out the superintendent's unused vacation however, the other individuals receiving payments were not paid properly with regard to IPERS taxable wages. Vacation taken is normally IPERS taxable; however, when compensation for unused vacation is paid it is not IPERS taxable.

Recommendation - The District should amend the 2007 first and second quarter and seek a refund for the paid tax. The employee share should be returned to the employee and the District's share should be receipted as refund of prior year expenses. Additional payments were made subsequent to year end. The District should amend those payroll reports as well.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- I-I-07 Construction House Fund - We noted that there were numerous expenses for the 2005-2006 house, as well as costs for the 2006-2007 house coded to the same expense accounts, during the fiscal year.

Recommendation - The District should consider identifying expenses by unique accounts numbers to enable them to better match revenues and expenses for each house. The expenses could be documented to a project level with a set of account numbers unique for each construction house.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- I-J-07 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District records required numerous end-of-year adjustments. There were no accounts receivable or accounts payable recorded on the books for any of the funds. There were also no adjustments made for the changes in inventories, capital assets or long-term debt.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 exceeded the amount budgeted in all of the expenditures program areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - In the future the budget will be amended as required by code.

Conclusion - Response accepted.

- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Looft, Teacher Owner of Tom's Painting	Purchased Services	\$613

In accordance with the Attorney General's opinion dated July 2, 1990, the above transaction does not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will comply with this recommendation.

Conclusion - Response accepted.

- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Financial Condition - The District had a deficit unreserved fund balance of \$1,071,027 and \$86,860 in the General Fund and the Enterprise-Construction Class Fund, respectively.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response - We will monitor, investigate and revise the budget to eliminate the deficit.

Conclusion - Response accepted.